

**Prima Biomed Ltd. (PBMD)**  
**Rating: Buy**

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**Looking Ahead to a Catalyst-Rich 2017; Reiterate Buy**

Stock Data		02/27/2017	
Price		\$2.39	
Exchange		NASDAQ	
Price Target		\$7.50	
52-Week High		\$4.13	
52-Week Low		\$1.70	
Enterprise Value (M)		\$33.4	
Market Cap (M)		\$50	
Public Market Float (M)		61.8	
Shares Outstanding (M)		20.7	
3 Month Avg Volume		94,506	
Short Interest (M)		0.16	
Balance Sheet Metrics			
Cash (M)		A\$16.57	
Total Debt (M)		A\$0.00	
Total Cash/Share		A\$0.93	
Book Value/Share		A\$0.59	
EPS (A\$) Diluted			
Full Year - Jun	2016A	2017E	2018E
1st Half	(0.03)	0.00A	0.00
2nd Half	0.00	0.00	0.00
FY	(0.03)	0.00	(0.01)
Revenue (A\$M)			
Full Year - Jun	2016A	2017E	2018E
1st Half	1.4	1.7	1.0
2nd Half	0.6	0.0	0.0
FY	2.0	1.7	1.0



**Financial update.** On February 24, Prima Biomed announced FY1H17 financial results for the period ended December 31, 2016. The company reported miscellaneous revenues of A\$1.7M for the period and a net loss of A\$0.00 per diluted share, compared to our estimates of A \$1.0M in revenues and a net loss of A\$0.00 per share. The differences mainly resulted from higher-than-expected grant income and lower-than-expected research and development expenses. For full year FY2017, we project revenues of A\$1.7M and a net loss of A\$0.00 per share.

**Interim look from breast cancer study in mid-2017.** Prima Biomed's lead product candidate, IMP321, is being investigated in a randomized, controlled Phase 2b study for the treatment of metastatic breast cancer together with paclitaxel (the AIPAC study). According to management, the efficacy results from the initial 15-patient lead-in cohort are expected to be published in mid-2017. Previously, the company has reported that the IMP321 was shown to be safe and well-tolerated in this patient cohort. We believe that if IMP321 is able to replicate the results from the previous Phase 2a study (50% overall response rate and 90% disease control rate) and improve survival in these patients, it would serve as a strong validation for the drug and significantly reduce clinical risk in the larger 225-patient randomized cohort. We expect full results from the AIPAC study around mid-2019, and we believe that positive results from this study could be used to support accelerated regulatory in the EU.

**Looking ahead to TACTI-mel and IMP731 results.** In 2017, we expect to see updated results from the Phase 1 study of IMP321 together with Merck's (MRK; not rated) Keytruda for the treatment of metastatic melanoma (the TACTI-mel study). According to management, following the successful completion of the 1mg dose cohort, the company is now recruiting patients for the 6mg dose cohort and may move to 30mg dose, the highest dose so far shown to be safe as a single agent. While we expect the TACTI-mel study to complete around the end of 2017, we also note that, due to the open-label nature of the study, management may decide to share interim results at any time during the year as well. On January 3, the company also announced a new product candidate, IMP731, a first-in-class LAG-3 agonist antibody. While still in very early stages of development, we believe IMP731 holds great potential and expect the company to publish results from preclinical studies of IMP731 in 2017.

**Valuation.** We maintain our Buy rating of Prima Biomed and our 12-month price target of \$7.50 per diluted ADS. We derive our price target based on the average of two valuation methods: 1) price-sales multiple analysis applying an 8x multiple to our 2025 risk-adjusted revenue estimate of A\$150M discounted at 12%; and 2) price-earnings multiple analysis applying an 18x multiple to our 2025 estimated earnings of A \$0.02 discounted at 12%.

**Risks:** 1) clinical; 2) regulatory; 3) commercial; 4) partnership; 5) financial; and 6) intellectual property.


*H.C. Wainwright & Co. 1868*

## Prima Biomed Historical Income Statement and Financial Projections, FY2015A-2018E

AU\$ ('000) Except Per Share Data	FY 2015A	H1 2016A	H2 2016A	FY 2016A	H1 2017A	H2 2017E	FY 2017E	FY 2018E
<b>Royalty revenues</b>	-	-	-	-	-	-	-	-
Other income	2,093	1,429	600	2,029	1,654	-	1,654	1,005
<b>Gross Income</b>	<b>2,093</b>	<b>1,429</b>	<b>600</b>	<b>2,029</b>	<b>1,654</b>	<b>-</b>	<b>1,654</b>	<b>1,005</b>
Research & development	(8,952)	(4,011)	(3,048)	(7,060)	(2,709)	(4,470)	(7,179)	(11,455)
General and administrative expenses	(5,723)	(4,181)	(2,802)	(6,983)	(2,117)	(2,540)	(4,657)	(6,509)
<b>Operating Income (Loss)</b>	<b>(12,583)</b>	<b>(6,763)</b>	<b>(5,251)</b>	<b>(12,013)</b>	<b>(3,172)</b>	<b>(7,010)</b>	<b>(10,183)</b>	<b>(16,958)</b>
Total other income (expense)	(19,711)	(49,045)	(425)	(49,469)	(865)	(651)	(1,517)	(1,253)
Change in fair value of financial instruments	-	(279)	(871)	(1,150)	(374)	-	(374)	-
<b>Gain (Loss) before income tax provision</b>	<b>(32,294)</b>	<b>(56,086)</b>	<b>(6,546)</b>	<b>(62,632)</b>	<b>(4,411)</b>	<b>(7,662)</b>	<b>(12,073)</b>	<b>(18,211)</b>
Income tax expense	142	562	619	1,181	552	860	1,412	-
<b>Net Income (loss)</b>	<b>(32,152)</b>	<b>(56,022)</b>	<b>(5,993)</b>	<b>(62,015)</b>	<b>(4,063)</b>	<b>(6,802)</b>	<b>(10,864)</b>	<b>(18,211)</b>
<b>Basic EPS</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Diluted EPS</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>
Basic Shares Outstanding	1,591,116	2,058,298	2,414,204	2,236,251	2,276,251	2,316,251	2,296,251	2,714,033
Diluted Shares Outstanding	1,591,116	2,058,298	2,414,204	2,236,251	2,276,251	2,316,251	2,296,251	2,714,033

Source: Company reports and H.C. Wainwright estimates.

## Prima Biomed Historical Income Statement and Financial Projections, FY2012-2025E

AUS ('000) Except Per Share Data	FY 2012A	FY 2013A	FY 2014A	FY 2015A	FY 2016A	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E	FY 2023E	FY 2024E	FY 2025E
<b>Royalty revenues</b>	-	-	-	-	-	-	-	7,111	33,162	66,992	99,213	124,346	138,706	143,435
Other income	4,203	4,005	3,140	2,093	2,029	1,654	1,005	1,604	1,897	2,139	2,258	2,349	2,444	2,543
<b>Gross Income</b>	<b>4,203</b>	<b>4,005</b>	<b>3,140</b>	<b>2,093</b>	<b>2,029</b>	<b>1,654</b>	<b>1,005</b>	<b>8,715</b>	<b>35,059</b>	<b>69,131</b>	<b>101,471</b>	<b>126,695</b>	<b>141,150</b>	<b>145,978</b>
Research & development	(14,501)	(14,005)	(11,931)	(8,952)	(7,060)	(7,179)	(11,455)	(13,553)	(15,281)	(16,127)	(16,778)	(17,456)	(18,161)	(18,895)
General and administrative expenses	(7,776)	(4,851)	(4,093)	(5,723)	(6,983)	(4,657)	(6,509)	(7,176)	(7,685)	(8,153)	(8,523)	(8,868)	(9,226)	(9,599)
<b>Operating Income (Loss)</b>	<b>(18,075)</b>	<b>(14,851)</b>	<b>(12,883)</b>	<b>(12,583)</b>	<b>(12,013)</b>	<b>(10,183)</b>	<b>(16,958)</b>	<b>(12,014)</b>	<b>12,093</b>	<b>44,851</b>	<b>76,170</b>	<b>100,372</b>	<b>113,763</b>	<b>117,484</b>
Total other income (expense)	(377)	(254)	(446)	(19,711)	(49,469)	(1,517)	(1,253)	(1,187)	(1,124)	(1,064)	(1,006)	(951)	(899)	(849)
Change in fair value of financial instruments	(1,489)	(34)	-	-	(1,150)	(374)	-	-	-	-	-	-	-	-
<b>Gain (Loss) before income tax provision</b>	<b>(19,941)</b>	<b>(15,139)</b>	<b>(13,330)</b>	<b>(32,294)</b>	<b>(62,632)</b>	<b>(12,073)</b>	<b>(18,211)</b>	<b>(13,201)</b>	<b>10,969</b>	<b>43,788</b>	<b>75,164</b>	<b>99,421</b>	<b>112,864</b>	<b>116,635</b>
Income tax expense	-	(87)	(14)	142	1,181	1,412	-	-	-	-	-	(5,325)	(31,602)	(32,658)
<b>Net Income (loss)</b>	<b>(19,941)</b>	<b>(15,226)</b>	<b>(13,343)</b>	<b>(32,152)</b>	<b>(62,015)</b>	<b>(10,864)</b>	<b>(18,211)</b>	<b>(13,201)</b>	<b>10,969</b>	<b>43,788</b>	<b>75,164</b>	<b>94,096</b>	<b>81,262</b>	<b>83,977</b>
<b>Basic EPS</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>0.00</b>	<b>0.01</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>	<b>0.02</b>
<b>Diluted EPS</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>0.00</b>	<b>0.01</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>
Basic Shares Outstanding	1,037,619	1,075,381	1,220,084	1,591,116	2,236,251	2,296,251	2,714,033	3,131,814	3,191,814	3,251,814	3,311,814	3,371,814	3,431,814	3,491,814
Diluted Shares Outstanding	1,037,619	1,075,381	1,220,084	1,591,116	2,236,251	2,296,251	2,714,033	3,131,814	4,225,143	4,305,143	4,385,143	4,465,143	4,545,143	4,625,143

Source: Company reports and H.C. Wainwright estimates.

## Prima Biomed Historical Balance Sheet

AU\$ ('000)	FY 2015A	FY 2016A	H1 2017A
<b>Assets</b>			
Cash and cash equivalents	6,760	20,880	16,570
Current receivables	315	168	1,600
Held-to-maturity investments	-	-	-
Other current assets	948	623	492
<b>Total Current Assets</b>	<b>8,023</b>	<b>21,671</b>	<b>18,663</b>
PPE	298	32	24
Intangible assets, net	22,662	20,852	19,473
Other assets	-	-	-
<b>Total Assets</b>	<b>30,983</b>	<b>42,554</b>	<b>38,159</b>
<b>Liabilities &amp; Shareholders' Equity</b>			
Trade and other payables	2,770	1,423	1,245
Borrowing	1,508	-	-
Other financial liability	-	-	-
Current tax payable	21	22	-
Employee benefits	80	28	37
<b>Total Current Liabilities</b>	<b>4,380</b>	<b>1,472</b>	<b>1,282</b>
Deferred tax liability	1,878	694	171
Employee benefits	36	43	50
<b>Total Liabilities</b>	<b>6,294</b>	<b>7,237</b>	<b>6,905</b>
Contributed equity	179,878	194,531	195,042
Reserves	5,268	63,258	62,747
Accumulated losses	(160,456)	(222,472)	(226,534)
<b>Total Shareholders' Equity</b>	<b>24,690</b>	<b>35,318</b>	<b>31,254</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>30,983</b>	<b>42,554</b>	<b>38,159</b>

Source: Company reports.

## Important Disclaimers

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## RETURN ASSESSMENT

**Market Outperform (Buy):** The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

**Market Perform (Neutral):** The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

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<b>Distribution of Ratings Table as of February 27, 2017</b>				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	203	93.12%	64	31.53%
Neutral	14	6.42%	3	21.43%
Sell	0	0.00%	0	0.00%
Under Review	1	0.46%	1	100.00%
<b>Total</b>	<b>218</b>	<b>100%</b>	<b>68</b>	<b>31.19%</b>

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